
REPORT TITLE: **Waste Management Financial Plan Update – Results of First Round of Public Consultation and Recommended Next Steps**

FROM: Andrew Farr, Interim Commissioner of Public Works

RECOMMENDATION

That the evaluation criteria to be used by staff to evaluate the potential funding approaches as outlined in the report from the Interim Commissioner of Public Works titled “Waste Management Financial Plan Update – Results of First Round Public Consultation and Recommended Next Steps” be endorsed;

And further, that the plan for a second round of public consultation to engage Peel residents for follow up feedback on potential funding approaches as outlined in the subject report be endorsed.

REPORT HIGHLIGHTS

- The Region of Peel’s long-term Waste Management Strategy “The Roadmap to a Circular Economy in Peel” (the Roadmap) includes an action to develop a Financial Plan that provides sufficient and stable long-term funding for waste management services.
- The intent of the Financial Plan is to also incentivize residents to divert waste and adhere to the principles set out in the Region’s Long-Term Financial Planning Strategy.
- While other options are still under consideration and further public feedback on the options will be sought before making a final recommendation, initial findings suggest a Financial Plan that combines a fixed base amount paid through taxes and a variable amount paid through volume-based user fees could achieve the Region’s objectives.
- Feedback from residents during the first round of public consultation supports this initial finding.
- The second round of public consultation has been delayed due to COVID-19. Staff recommend scheduling the second round of consultation workshops in 2021.
- The final Financial Plan will be presented to Regional Council for approval in late 2021 following the second round of public consultation

DISCUSSION

1. Background

On December 14, 2017, Regional Council approved Peel’s long-term Waste Management Strategy titled, “The Roadmap to a Circular Economy in Peel” (Council Resolution 2017-972) which includes a list of actions to achieve Peel’s target of 75 percent 3R’s diversion by 2034. The Roadmap identified a need for significant new funding to implement all the actions needed to achieve Council’s diversion target.

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One of the actions in the Roadmap is the development of a Waste Management Financial Plan that details how the capital and operating expenses of the Roadmap will be financed. Development of the Financial Plan will include consideration of a volume-based user fee, which is considered a best practice in incentivizing/achieving high waste diversion.

On April 25, 2019, Regional Council approved Peel's Updated Long-Term Financial Planning Strategy, which sets out key principles Peel should follow in its formulation of policies that relate to the financing of programs and initiatives (Council Resolution 2019-368). Key principles that apply to the development of the Waste Management Financial Plan include respecting the taxpayer; managing assets; implementing user pay where appropriate; delivering value for money; and, mitigating significant fluctuations in tax and utility rates.

On June 20, 2019 and October 31, 2019, the Waste Management Strategic Advisory Committee endorsed two reports related to the waste management Financial Plan which included a detailed workplan.

This report details the findings of the first round of public consultations and the next steps in the development of the Financial plan.

2. Process

The development of the waste management Financial Plan includes two concurrent streams of work.

Stream 1 includes the development of a cost forecasting model, which forecasts Peel's waste management costs and revenues, including the annualized capital cost of infrastructure (e.g. anaerobic digestion facility, mixed waste, community recycling centres, etc.) and infrastructure replacement to 2041. It will also include the impact of population growth.

Stream 2 includes the development of a funding model which includes an assessment of potential user pay systems. The funding model includes the ability to examine how various user fee scenarios impact waste management funding and will help to determine an optimal funding structure that meets the Region's objectives and balances what residents can afford.

Development of the Financial Plan includes two rounds of public consultation; the first of which has already occurred.

Following the second round of public consultation, staff will bring a report to Council in late 2021 with a final Financial Plan that meets the Region's objectives and balances what residents can afford. The report will also recommend preferred timing for implementing the recommended funding structure.

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3. Project Stage Status Update

a) Cost Forecasting Model Development

The cost forecasting model is being developed using waste management's current 10-year capital plan and current operating budgets as well as recent years' actual annual expenses and revenues to establish a baseline. Annual costs and revenues are forecast to 2041 by applying consumer price index increases and housing and tonnage growth assumptions; and, by adding the estimated costs to implement the initiatives proposed in the Roadmap. As the Region's growth projections are updated (e.g. to incorporate the province's recent 2051 growth numbers) the cost forecasting model will also be updated.

The cost forecasting model will include the ability to assess different scenarios that may impact costs in the future such as changes to regulations (e.g. blue box transition). It will also include the ability to adjust the timing and costs of the actions in the Roadmap.

b) Funding Model

i. Environmental Scan

The environmental scan involved examining waste user fee approaches from comparable jurisdictions across North America.

Findings from this environmental scan revealed that many municipalities have or are considering a funding structure that combines funding through taxes with either a flat or variable user fee. Including a variable user fee for garbage is considered a best practice for incentivizing residents to reduce the amount of garbage they generate and increase diversion.

Full details on findings of the environmental scan, outlined in Appendix I, were presented in the update to the Waste Management Strategic Advisory Committee on October 31, 2019 titled "Waste Management Financial Plan Update".

ii. First Round of Public Consultation Workshops

To initiate the user fee assessment, the Region hosted a series of public consultation workshops with Peel residents in March 2020 to solicit feedback on the funding models being examined. Staff also used the opportunity to ask residents what matters most to them when it comes to paying for waste management services.

The main objectives of these initial public workshops were to:

- Introduce the Financial Plan project to residents and provide a rationale on why the project is important and being undertaken;
- Collect feedback from residents on what is important to them when paying for services; and,
- Collect feedback on various funding models, with a focus on what residents like about each one and what their concerns might be.

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Residents of Mississauga, Brampton and Caledon were provided with the opportunity to participate in the public workshops, either in person or online. Unfortunately, the Brampton in-person workshop was cancelled at the onset of COVID-19. To allow Brampton residents ample opportunity to comment in a safe manner, the online workshop was extended to provide additional time for participation.

Table 1 provides a summary of the Phase 1 public consultation workshop participation.

Table 1: First Public Consultation Workshop Participation

Workshop Location	Date	Attendees/Responses
Mississauga	March 2, 2020	71 Attendees
Caledon	March 3, 2020	14 Attendees
Brampton	Cancelled due to COVID-19	-
Online	March 2 - 22, 2020	8,500 Total Responses 55% - Mississauga 30% - Brampton 14% - Caledon 1% - Other

Residents were asked to review a variety of funding models and provide their thoughts on what they liked and disliked. The common themes identified from the feedback received are as follows:

- Incentivizing waste reduction is important to residents. Many residents indicated a dislike towards user fee examples (such as a flat fee) that did not incentivize waste reduction;
- Many residents agree with the concept of “Pay for what you generate”. Residents indicated that paying for what each person generates through a variable user fee tied to the amount of garbage produced is a fair way to charge for waste and incentivize waste reduction;
- Some residents commented that a completely variable fee could increase illegal dumping if the price difference for an added bag or a larger cart was too high and that a balanced approach that incorporated a flat base fee (possible tax base) and a smaller variable fee would help to mitigate any illegal dumping;
- A number of residents shared the perspective that increased revenue generation for new waste management initiatives should not come at an additional cost to residents and that any user pay charges should be accompanied by an offsetting reduction in property taxes; and,
- Many residents indicated that they are in favour of the current cart collection system and that any user pay model should incorporate the use of carts.

The feedback from the public aligned with the project objectives and will be used as part of the next phases of the project.

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iii. Potential Funding Approaches

The selection of a funding approach requires two key decisions:

- The allocation of costs between taxes, flat user fees and variable user fees; and
- The structure and method of charging the flat or variable user fee.

Preliminary findings show that a funding model that combines taxes and user fees meets the Region's objectives, is consistent with the principles set out in the Region's Long-Term Financial Planning Strategy and is consistent with feedback provided by residents during the first round of public consultation.

Staff will assess the following potential funding approaches against the evaluation criteria set out in this report.

- Funding existing waste management costs through taxes and funding initiatives identified in the Roadmap with a variable user fee;
- Funding fixed costs and initiatives that support the greater good (such as recycling and composting) through taxes and funding the variable cost of collecting, processing and disposing of garbage with a variable user fee;
- Leaving the full cost of waste management on the tax base (status quo) or moving it fully to a user pay system will also be assessed;
- Other reasonable approaches that are identified during the analysis phase may also be evaluated.

Peel strives to provide all customers with a consistent level of service. Some locations, however, do require add-on or premium service due to their circumstances. Examples include older multi-residential buildings and new large multi-residential buildings with limited storage space that require more frequent collection and in-fill developments that may prefer collection with smaller trucks to optimize the space available for dwelling units. While not part of the current property tax-based approach, the premium cost of each of these services could be charged directly to the user as part of a new financial model.

A user pay model that makes use of Peel's current waste collection carts and bins is a reasonable way to maximize the use of current cart infrastructure and is consistent with resident feedback during the first round of consultation. As part of the various models being considered, staff will develop approaches for setting user fees for each size of garbage cart for curbside customers and for the various types and sizes of carts and bins used by multi-residential customers. A bag fee will also be developed for those customers still on bag-based collection and for those customers who set out the occasional extra bag of garbage.

iv. Recommended Evaluation Criteria to Assess Funding Model Approaches

To complement the resident feedback, a comprehensive user fee assessment is being conducted in order to propose a funding model that meets Peel's needs.

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The assessment involves assessing the various funding models against four main evaluation criteria. The recommended evaluation criteria align with the financial principles set out in the Region's Long-Term Financial Planning Strategy.

Staff recommends that the following criteria be endorsed to assess potential new funding approaches.

- **Financial Sustainability** – the funding model must provide a stable revenue source that mitigates risks associated with the volatility or uncertainty of external revenues such as commodity revenues, stewardship funding and tipping fees, and also mitigates against the risks associated with high variable user fees.
- **Incentivize Waste Reduction and Diversion** – the funding model should incentivize waste reduction and diversion and give residents more control over their waste management costs.
- **Administrative Impact** – the funding model should have minimal impacts on administrative burden and costs during the development, implementation and ongoing administration of the funding model.
- **Respect the Taxpayer** – the funding model should mitigate tax increases and consider public feedback on user fees.

v. Second Round of Public Consultation Workshops

The second round of public consultation workshops will be designed to:

- Report the results of the first round of consultations; and,
- Seek public feedback on:
 - The allocation of costs between taxes and user fees, including feedback on the various options;
 - The structure and method of charging flat and variable user fee and the possible use of variable fees for add-on and premium services.

The consultations will also provide a forum for stakeholders to express any remaining tensions and concerns. This feedback from the public will be taken into consideration when developing the final recommendations for the Financial Plan and possible volume-based user pay funding model.

Given the current uncertainty with COVID-19 and the socio-economic stresses that residents may be encountering at this time, staff recommend holding the second-round consultation workshops in 2021 so that learnings from other virtual consultation exercises (such as the Regional Official Plan Amendments 2041 consultations) can be incorporated. In line with current practices for public consultations staff are prepared to hold these workshops exclusively online.

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RISK CONSIDERATIONS

There are risks associated with engaging the public regarding the waste management Financial Plan and potential volume-based user-pay funding models, including:

- Public health risks related to COVID-19 involving face-to-face engagement and mass gatherings with residents; and,
- Sentiment and concerns of residents regarding many competing priorities (safety, job security/loss, financial hardship/recovery, personal/family challenges, mental health) will impact residents' opinions, willingness and openness to engage.

Postponing the second-round consultation workshops until 2021 and incorporating learnings from other virtual consultation efforts (e.g. Regional Official Plan Amendments 2041) mitigates these risks. It also allows staff to further develop the financial options within the Financial Plan and identify feasible options for safe and effective public consultations.

FINANCIAL IMPLICATIONS

Sufficient funding for public consultations is available in current approved budgets.

CONCLUSION

Staff will report back to Council in late 2021 with a recommended Financial Plan that identifies a funding structure that meets the Region's objectives of providing stable funding and incentivizing diversion; is consistent with the principles set out in the Region's Long-Term Financial Planning Strategy; and appropriately reflects public feedback.

APPENDICES

Appendix I - Environmental Scan Results

For further information regarding this report, please contact Norman Lee, Director Waste Management, Ext. 4703, norman.lee@peelregion.ca.

Reviewed and/or approved in workflow by:

Department Commissioner, Division Director and Financial Support Unit.

Final approval is by the Chief Administrative Officer.



N. Polsinelli, Interim Chief Administrative Officer